



2017/2018

Trustees Report

Review Period : 1st July to 30th June 2018

Our "Trustees Report" comprises of the following:-

- **Section A :- Financials**
 - Cash Reserve movements for the year 30th June 2018
 - 12 months Actual to Budget report
 - Variances explained.
- **Section B :- Water & Effluent(Sewer) Tariff Implications** (Special Agenda)
- **Section C :- Project Expenditure** (Past & Current).

Section A : Financials

Cash Reserve movements for the year 30th June 2018

Funding of Projects

The total reduction in the cash reserve for the year to 30th June 2018 amounted to R 151,508. What is important to highlight was that the maintenance reserve account was not used to finance project (as it should have), rather they were funded from the existing operating accounts and the additional funds out of the excess reserves from the Ekurhuleni Prepaid account - This was due to an inability to withdraw funds from Stanlib investments on time.

The loan from the Prepaid account will be repaid in this financial year R 250,000 refer to AFS notes in this regard.

Reinvestment of Stanlib Investments

Funds were moved from Stanlib to the current account and then from the current account to the savings acc. The reason for closing the Stanlib account is due to the lower investment amounts and due to poor performance and lack of returns. In the new financial year, we placed the reserves in the Money Market account.

Note that R 422,754 was moved to Current but only R 400,000 was moved from Current to Savings account. Balance of R 22,754 to be transferred in this financial year.

CSOS Maintenance Levy Reserve Requirements

The levy reserve requirement should be 25% of annual levies - this equates to R402,000. After excluding Ekurhuleni provisions from cash reserves, we show a reserve shortfall of R 172,000. This partially is due to the payment for the carport sheeting paid in advance of R 50,000 - a week before this financial year end.

Although a shortfall exists we are able to show what has been spent on maintenance projects for this financial year. After the carport project we will be able to rebuild our General Reserves again.

Greenfields Complex Harris Avenue, Edenglen, Edenvale, 1609

Managed by



Pierre Wyss
+27 11 974 4424
+27 72 782 6836
directcomplexservices@gmail.com

Board of Trustees

- Lionel Parsley (Chairperson)
- Derek Cole
- Nicky Eyres
- Joan Groenewald

12 months Actual to Budget Report

GREENFIELDS BODY CORPORATE		Actual	Budget		Proposed	% Increase
		June 2017 - June 2018	June 2017 - June 2018	Variance	Budget 2018/19	
INCOME SECTION		1,646,313	1,632,092		1,703,497	
MONTHLY INCOME						
	Levies Raised	1,607,084	1,607,092	0%	1,655,297	3.00%
OTHER INCOME						
	Clubhouse Bookings		1,400		4,000	
	Store Room Rental	9,000	3,600	150%	13,200	46.67%
	Penalty Payments	1,100			1,000	-9.09%
	Arrear Levies	750				
INCOME						
	Investment Income	18,633				
	Interest on Investments	9,746	20,000	-51%	30,000	207.82%
EXPENSE SECTION		2,049,248	1,630,730		1,536,517	-3.52%
Maintenance Budget			379,000		147,000	
MUNICIPAL CHARGES		376,426	185,000		223,481	
	Electricity	71,805	25,000	-65%	29,000	-59.61%
	Refuse Removal	15,574	15,000	-4%	16,508	6.00%
	Sewage	108,290	65,000	-40%	82,787	-23.55%
	Water	180,757	80,000	-56%	95,186	-47.34%
UP KEEP (ONLY)		135,880	182,700		91,500	
	Garden & Tools	10,355	12,000	14%	4,500	-56.54%
	Painting	1,191				-100.00%
	Electrical	21,944	10,000	-119%	15,000	-31.64%
	Plumbing	35,621	10,000	-256%	25,000	-29.82%
	Gates, Fencing, Comms.	-	3,600			
	Equipment Maintenance					
	Pool	4,088	6,600	38%	5,000	22.31%
	General Maintenance		9,500			
	Building	50,666	119,000	57%	15,000	-70.39%
	Clubhouse Net	8,711				
	Signage	3,304	2,000	-65%		
	Security maint		10,000		27,000	
MANAGEMENT COSTS		1,085,516	1,024,530		1,141,036	5.11%
	Audit fee	35,782	17,000	-110%	23,000	55.57%
	Professional fees	5,312				-100.00%
	Bank charges	12,633	11,000	-15%	13,391	6.00%
	Insurance	125,854	120,000	-5%	133,405	6.00%
	Legal	-	10,000		0	
	Management fees	113,166	111,500	-1%	119,956	6.00%
	Caretaking Fee	73,334	75,000	2%	77,734	6.00%
	Cleaning	3,946	2,500	-58%	4,183	6.01%
	Pest control	11,375	10,530	-8%	12,058	6.00%
	Uniforms & PPE	5,055	5,000	-1%	5,358	5.99%
	Security	411,929	390,000	-6%	444,883	8.00%
	Printing & Stationery	1,530	500		1,622	6.01%
	Internet & Telephony	4,760	4,000	-19%	5,046	6.01%
	Salaries & Wages	244,462	267,500	9%	264,019	8.00%
	UIF	4,881			5,174	6.00%
	Pension	23,754			25,179	6.00%
	Welfare WCA	3,568			3,853	7.99%
	Staff Welfare	2,123			-	
	Website Advertising	2,052			2,175	6.00%
		451,426	238,500		80,500	
PROJECTS						
	Carport Roofng/Structure	49,275	5,000		57,000	15.68%
	Carport Lighting				16,500	
	Water Meter Project				-	
	Project Management	5,000	12,000		6,000	
	Painting	87,225	96,300	9%	-	
	Plaster	240,841	117,700	-105%	-	
	Playground / Pool	22,774	7,500	-204%	1,000	-95.61%
	Finance costs	46,311				
TOTAL EXPENSES		2,049,248	1,630,730		1,536,517	TOTALS
SURPLUS/(DEFICIT)		Surplus / (- Loss)	-402,935	1,362	166,980	



Variances Explained

- **Clubhouse:** In real terms the net income was R 4,000 that was offset by maintenance to the clubhouse of R 11000 - this included the new walking in gate project at the Clubhouse and other improvements.
- **Electricity Cost:** difference due to an under recovery from the electricity rate that amounted to R 31,000 over a 10 month period – Rate has been readjusted to try and avoid the monthly fluctuations in what Ekurhuleni was charging us. Prior to September 2017 there was no way of cross checking the electricity consumption. Adjustments to the rate was implemented on the 1st July with the Ekurhuleni increase.
- **Water & Sewer Charges:** difference was due to prior financial year credits that Ekurhuleni had passed to Greenfields – our downward adjustment in accordance with the final years figures for both of these items created an incorrect budget for this last financial year.
- **Electrical Maintenance:** Cost related to additional lighting requirements both in the play ground and pool area has contributed to the overspend. This account also absorbed all the electrical maintenance costs and repairs for the up keep of Security. There are no costs allocated to Security.
- **Plumbing Variance:** Of this amount R 11,651 is for the plumbing costs for diverting the storm water away from the buildings. This should have been allocated to building maintenance. Blocked drains have been above normal however we have tried to address the cause of the problems by rerouting of waste pipes where ever possible.
- **Building:** The Carport project should have been assigned to the Building, however for better control purposes it was assigned its own cost account (Carports) this has accumulated the additional amount of R 50,000.
- **Audit Fee:** We were not sent an account by the auditors in the previous year, so technically we have paid for 2 audit periods in this last financial year.
- **Professional Fees:** This cost of R 5,312 was for the property valuation required by CSOS regulations - Properties need to be valued every 3 years.

- **Cleaning Variance:** Although the percentage difference is significant an additional amount of R 1,500 over a year is insignificant.
- **Uniforms & PPE:** The cost of uniforms has had no real difference, however the protective gear as part of Health & Safety has increased due to attention being placed on this aspect – especially with all the projects that are being carried out.
- **Plastering Costs:** The additional cost of R 291,000 for plastering (Phase 2) accounts for the largest discrepancy in the budget. This exceeded our initial expectation of R133,000 (Phase 1) by R 158,000 – not accounted for.
- **Financial Cost:** This amount of R 46,311 is part of the provision provided for the possible claims for Ekurhuleni as was discussed with the Auditors.

Section B:

Water & Effluent (Sewer) Tariff Implications

(Special Resolution – is required)

**Due to severe increases in the Water & Effluent Tariff Rates
– consideration required for water meters to be installed**

New Tariff Rates

The new costs of water and effluent ex vat are as follows:

Water up to 6Kl R10.21, thereafter R16.82 per Kl up to 15 Kl, then R20.60 per Kl
Effluent up to 6Kl R14.68, thereafter R11.74 per Kl up to 15 Kl, then R4.99 per Kl

As of 1st July 2018 the new annual Water & Effluent (sewer) charges came into effect, and whilst we had budgeted for the normal anticipated increase, we were also informed that they were withdrawing the free 6Kl of water which each unit was previously entitled to. So, when we were previously billed for usage they deducted 108 X 6Kl from our usage and billed us for the balance. This means that we will now have to meet the cost for an additional 648Kl a month @ R10.21 per Kl which equates to R6616.08 a month or R80,000 per year. To cater for this, we would have to add an additional R62.00 to each of our units current monthly levies.

This does however not end there as we also receive these credits for sewerage and effluent costs, which are also charged in line with our water usage and here the charge is higher at R14.68 per Kl which will cost each unit an additional R88.00 per month, making a total increase of R 150.00 per month. All the above excludes 15% vat, therefore R 172.50.

As these costs were not anticipated when we budgeted our increased levies for this year we need to add a further increase to cater for this. We however have been advised by the Municipality that they are considering an allowance of 3Kl to each household whose property value is less than R750,000. On the latest Ekurhuleni valuation role Greenfields (all 108 households) are below R 750,000 in value. This allows us 3 free



kilolitres for both water & effluent. Please check your rates bill and confirm if this is correct for your specific unit. This will of course reduce these costs by 50%.

With the increase in costs we also deemed it necessary to revisit the way in which the water is just split up between the units on an equal basis, as this is not really equitable when considering that in some units there is only one person whilst in another there could be four occupants. So, the idea of metering each household's water usage was discussed, and if we are to proceed in this way the following options must be considered.

Option 1 – Prepaid Water Metering

This is an expensive option as the cost of these prepaid water meters (installed) is approximately R3,800. As we already know there are additional charges with every voucher purchased that will be over and above the cost the new water tariffs. That is 5% + Vat of your R 100.00 Water voucher, as well as a monthly admin fee from the service provider – ***This adds up to be expensive and not the recommended route.***

Option 2 – Installing “Dumb” Water Meters

These water meters are the plain water odometers (counts every litre consumed). This would require for every water meter to be read on a specific date during the month. The managing agents would calculate the water usage and apply the “Step Up/Down” rate as per the tariff tables for both water and effluent respectively. This would be added to you your levy account as a separate item. This will avoid all those extraneous costs that are incurred with the “Prepaid Metering” route. There will however be a nominal charge by DCS to process the monthly readings into monthly water utility charges for each household. The charge will be R15.00* per household per month added to your levy statement. **Note** : * (Terms & Conditions apply).

The cost of these meters installed is R 1,700. - This would be the preferred route.

Comment : *It would make sense not to increase the levies as this will negatively affect each and every unit owner when it comes to selling of their properties - Excessive monthly levies have an adverse effect on the sell-ability of the units. In fact if we go the metered route we could reduce the levies by the amount we have in our current budget for water and effluent.*

Finance Issue

The cost of installing water meters in Greenfields is not simple as we have multiple water systems in the complex, by that we mean that the majority have 2 separate water systems (Cold water separated from the Hot water system) this occurred whilst the complex was built and the cost of water was insignificant. For this reason the Trustees have to oversee the installation of the water meters to avoid individual installations from not including both water systems into one – the complex would lose out on unaccounted water consumed.

- The cost of installing 108 meters for each household equates to R 183,600
- The cost of installing 10 meters for common areas equates to R 15,000

Total cost of water meters installed R 198,600

This cannot be funded easily without any consultation by the Body Corporate. The Trustees would like the cost of each water meter for each household to be paid by the unit owners.

Required Owner's Permission

What we will be discussing and voting for at our Annual General Meeting (with or without amendments) is the following;

1. Which of the three options proposed will be accepted (**No water metering / Dumb Water Meters / Prepaid Water Meters**);
2. Failing any positive resolution in this regard, we will have to substantially increase the levies for this year – as the minimum of R 240,000 is required (including Common Areas).
 - a. **Owner's permission to allow the Body Corporate to purchase the required water meters and the installation thereof by an appointed contractor, AND**
 - b. **Owner's permission to invoice their levies with a once off fee of R1700 for the installed meter cost OR Charge the cost of the water meters over 4 months @ R425.00 per month; AND**
 - c. **Owner's permission to debit the monthly levies with the water cost as per the require tariffs for water & effluent (as calculated by DCS); AND**
 - d. **Owner's permission to debit the monthly levies with the metering charge fee of R15.00 per month.**

For this reason alone, we need all owners to be present to get a full resolution to this problem so please send a proxy or your preferred choice to the meeting if you are unable to attend.

Conclusion :

It would be quite evident that each and every resident would prefer to pay for what they have consumed in water.

Section C :

Project Expenditure

(Past & Current)

Past Expenditure

Plaster & Paint Project :

Our main discrepancy in our variance report is due to the extensive plaster work that was carried out in phase 2 of the Plaster & Painting project. That was always an unknown factor (the saturated brick work below the plaster had to be treated first before any painting). The project cost overrun from Phase 1 to Phase 2 R 123,041.00 (absorbed in 2017/18 financial year).

Playground Project :

At the AGM we the Trustees was given a budget of R17,000 for improving playground. The final figure in this regard was R 22,773 – an overspend of R 5,773 , however the whole amount was not included in the initial budget presented.



What was achieved was the following;-

- Soccer field play area;
- Basket ball pole with 2 rings;
- 2 Table tennis tables;
- Flood Lights on the playground field.

Current Expenditure

Carport Renovations:

As per our notification/intention to proceed with the refurbishment of the carports we have had very good progress with approximately 1/3 of the 108 carports completed already. For the records we had the first 100 sheets charged to 2017/18 financial year. We are on schedule to complete at least half the carports before the summer rains start. As usual our ground staff change over to predominately garden care as opposed to general maintenance.

The quality of workmanship has been very good in that current carport framework has been totally treated with any rusted sections replaced and treated accordingly.

Re-grouting & Tiling:

What remains is the downstairs passageways and patios that need tiles to be replaced and or re-grouted for the whole complex - This will be done on a part time basis.

The End